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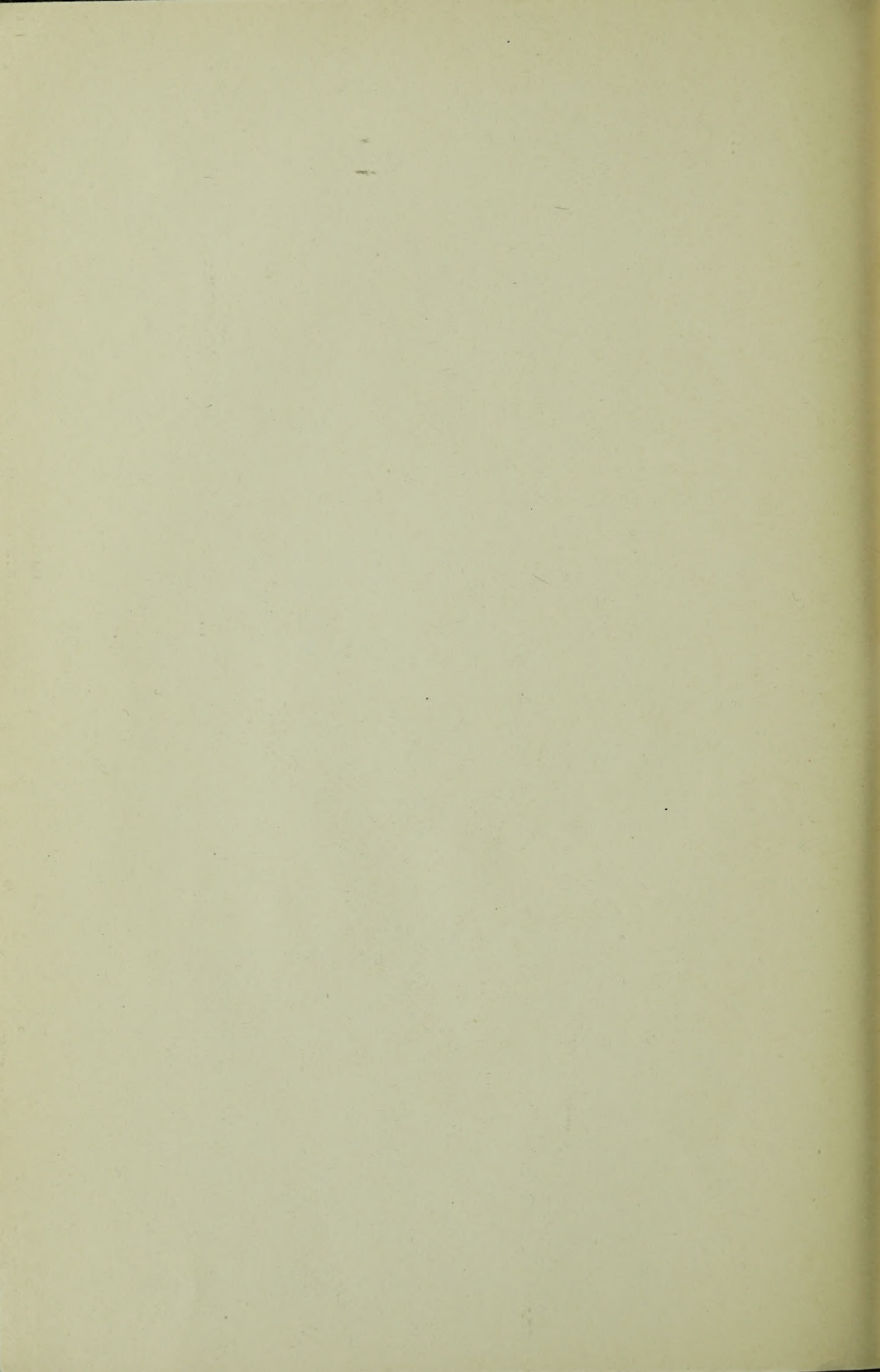
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Report
Of
County Government
Advisory Commission

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December 19, 1928.

HONORABLE A. W. McLEAN, *Governor*,
STATE OF NORTH CAROLINA,
RALEIGH.

SIR:

We have the honor of transmitting to you herewith the report of the County Government Advisory Commission prepared in accordance with the law.

Respectfully submitted,

E. C. BROOKS, *Chairman*
A. E. CLINE
E. M. LYDA
A. C. McINTOSH
D. W. NEWSOM

CHARLES M. JOHNSON,
Executive Secretary.

CONTENTS

	<i>Page</i>
PART I —INITIAL STEPS TO IMPROVE COUNTY GOVERNMENT.....	5
PART II —DIGEST OF LAWS ENACTED AT THE 1927 SESSION OF THE GENERAL ASSEMBLY.....	7-12
An Act to Provide Improved Methods of County Government	7
The County Fiscal Control Act.....	8
The County Finance Act.....	8
An Act to Provide for the Collection of Taxes within the Counties and for Settlement of the Same	10
An Act to Amend Parts 3 and 4, Article 14, Chapter 131, Consolidated Statutes, Relating to Tax Deeds and Fore- closure of Certificates of Sale	11
Fiscal Code for County Officers.....	12
PART III—APPLICATION OF THE LAWS AND THEIR RESULTS.....	13-20
Land Sales for the 1927 Taxes.....	13
Settlements for the 1927 Taxes.....	14
Delivery of Tax Lists and Books to Sheriffs or Other Tax Collecting Officers	15
Information Pertaining to Financial Condition.....	15
Foreclosure of Land Sale Certificates.....	16
Safeguarding Expenditures	16
Depository Bonds	17
Daily Deposits	17
County Manager	17
General Comment	18
PART IV—ACTIVITIES OF THE COUNTY GOVERNMENT AD- VISORY COMMISSION	21-26
Creation of the County Government Advisory Commission and its Prescribed Duties.....	21
The County Accountant.....	21
What the County Government Advisory Commission has done	22
Institute for County Officers.....	23
Work in the Field and Office.....	23
The Commission's Inability to Meet the Demands Made Upon It	24
Increased Force Needed.....	25
Cost of the First Year of Operations and the Commission's Proposal for Future Operations.....	25

PART I

INITIAL STEPS TO IMPROVE COUNTY GOVERNMENT

Definite action to improve county government in North Carolina was begun in August, 1925, when the State Association of County Commissioners at their annual meeting, held in Blowing Rock, adopted a resolution requesting Governor A. W. McLean to appoint a commission to study county government and make recommendations for its improvements. The Governor, acting upon the request of the association, appointed a commission composed of the following:

Dr. E. C. Brooks, Chairman	Raleigh
Prof. A. C. McIntosh, Secretary	Chapel Hill
Mr. Edwin B. Bridges	Charlotte
Mr. F. H. Coffey	Lenoir
Mr. G. V. Cowper	Kinston
Mr. E. M. Lyda	Asheville
Mrs. E. L. McKee	Sylva
Mr. D. W. Newsom	Durham
Mrs. Thomas O'Berry	Wilmington
Mr. J. A. Orrell	Wilmington
Mr. F. P. Spruill	Rocky Mount
Mrs. J. G. Stancill	Margaretsville
Mr. R. L. Stowe	Belmont
Mr. S. T. White	Greenville

The Commission made a careful study of county government in the State. Several meetings were held and reports from subcommittees were received and fully discussed. The results of research conducted in thirty counties by the Institute for Research in Social Science of the University were made available to the Commission. The Commission's report, an important document, was made the basis of the new County Government legislation enacted by the 1927 General Assembly. In order to briefly review the findings of this Commission, excerpts from the report are given as follows:

The Commission finds that where the greatest reform is needed is in fiscal management. Progress in this respect has not kept pace with the improvement in the machinery for rendering service either to the individual or to society as a whole; and further improvement in the machinery for serving the public awaits the improvement so badly needed in fiscal management. Therefore, the report of the Commission deals in the main with defects in fiscal management and suggestions for its improvement.

It is very apparent that the amount of service that may be rendered the citizens of any county is dependent primarily upon the resources of the county and the business methods and practices employed, and the more efficient are the business practices, the greater the service that the resources will support. A county possessing large resources may have poor government and comparatively small returns from the expenditures of public funds if the resources are wasted through inefficient business management.

The Commission discovered, after studying the fiscal management of about twenty-five counties, that wherever defects appear in a number of counties, they usually appear in the same place in each of the counties.

Therefore, the defects are similar in all counties in which they appear. Moreover, wherever these defects are partially or wholly removed, the government is partially improved and presents a much higher standard of efficiency, and the service that the people derive from the government is correspondingly increased.

After a careful study of a large number of counties, therefore, the members of the Commission are unanimous in their conclusion that the following functions well performed will insure good business management, but when poorly performed, there is poor business management and a loss of public service as a result:

- (1) Maintaining unity in the official family of a county in fiscal management;
- (2) Preserving the taxables of a county;
- (3) Collecting the revenue fairly and justly;
- (4) Safeguarding the revenue through proper accounting;
- (5) Safeguarding the expenditures through budget control and a central purchasing agent;
- (6) Protecting the physical property of a county, and
- (7) Providing properly for the administration of justice.

As a result of the findings and recommendations contained in the report of the Commission, the General Assembly of 1927 enacted the following new laws:

- I. An Act to Provide Improved Methods of County Government. (Chapter 91, Public Laws of 1927.)
- II. An Act to Provide for the Administration of the Fiscal Affairs of Counties. (Chapter 146, Public Laws of 1927.) This act is known as "The County Fiscal Control Act".
- III. An Act to Provide for the Issuance of Bonds and Notes of Counties of the State and for Proper Taxation for the Payment Thereof with Interest. (Chapter 81, Public Laws of 1927). This Act is known as the "County Finance Act".
- IV. An Act to Provide for the Collection of Taxes Within the Counties of the State and for Settlement of Same. (Chapter 213, Public Laws of 1927.)
- V. An Act to Amend Parts 3 and 4, Article 14, Chapter 131, Consolidated Statutes, Relating to Tax Deeds and Foreclosure of Certificates of Sale. (Chapter 221, Public Laws of 1927.)

PART II

DIGEST OF THE LAWS ENACTED AT THE 1927 SESSION OF THE GENERAL ASSEMBLY

I. AN ACT TO PROVIDE IMPROVED METHODS OF COUNTY GOVERNMENT

The first of these acts provides for certain definite means of increasing efficiency in the administration of the county's fiscal affairs. It provides for two forms of government, the County Commissioners Form and the Manager Form. The County Commissioners Form is substantially the same form as has existed in the majority of the counties in the State under the provisions of the Constitution. It exists where the affairs of the government are administered by a board of county commissioners. The Act provides, however, for a modification of the regular form where commissioners are elected every two years in that ten per cent of the voters, who voted in the last election for governor, may petition for an election upon the plan of a continuity of business management. If the election carries, a county, in which there are three members of the board of commissioners, will elect one for two years, one for four years and the other for six years. In a county where there are five members on the board, two may be elected for two years, two for four years and the other for six years. This plan is intended to prevent an entire change in administration, so that the policies of a board of commissioners toward increased efficiency may be carried on without interruption by new officials who are unfamiliar with those policies.

The manager form of government provides that the board of county commissioners may, in their discretion, appoint a county manager as the administrative head of the government, or, if the board does not exercise this discretion, ten per cent of the voters, who voted in the last election for governor, may petition for an election of the manager form and appointment of a county manager. The county manager shall be appointed with regard to merit only, and he shall be responsible for the administration of all the departments of the county government which the board of commissioners has authority to control.

The Act also imposes and confers certain duties and powers upon the board of commissioners irrespective of the form of government. It is the duty of the board to employ, as far as possible, methods consistent with law for unifying fiscal management, for preserving the sources of revenue, for safeguarding the collection of revenue, for guarding adequately all expenditures, for securing proper accounting of all funds, and for preserving the physical property of the county. It requires the board to provide for the purchasing of supplies for the different departments of the county government in such manner as may prevent waste and duplication in purchasing and may obtain the advantages of purchasing in larger quantities. To that end, the board may designate some competent person, either a member of the board or some other officer or agent of the county, as purchasing agent.

This Act also provides for the creation of the County Government Advisory Commission and a County Adviser who shall advise with the boards of county commissioners and other county officials as to better and more businesslike methods of administration and assist them in putting these methods into operation.

II. THE COUNTY FISCAL CONTROL ACT

The County Fiscal Control Act is mandatory upon all the counties in the State, except for certain exceptions made in the act itself and other exceptions made by local acts. The act provides machinery for the annual appropriation of revenues and tax levies. This machinery is set in motion not later than the first day of June of each year, when reports of the heads of departments and county officers are required to be made to the county accountant, a new office created by the act. These reports cover information as to past expenditures and estimates of future expenditures. Based upon them the county accountant must report to the Board of County Commissioners not later than the first Monday of July of each year, an estimate of moneys to be paid out during the fiscal year from July 1 to June 30. This is termed a budget estimate. Not later than the fourth Monday in July, the board is required to adopt and record on its minutes an appropriation resolution appropriating all moneys for the fiscal year, except such moneys as may be raised by bond issues. At this point, the board's discretion is practically unlimited except that it is mandatory to appropriate the full amount of any deficits and the full amount required for principal and interest of bonds and for sinking funds. The board is also required to obey the provisions of the school law as to appropriations for the six months school term. The board's discretion practically ceases after the passage of the appropriation resolution, since it is required not later than Wednesday after the third Monday in August to levy sufficient taxes to pay these appropriations and also to cover probable delinquencies in tax collection, assuming delinquencies to be equal to the average delinquencies of the three preceding years. It is, therefore, of the greatest importance that the board make no appropriation which it is not willing to cover by requisite tax levies.

The act contains many safeguards and penalties. Warrants, orders, contracts, agreements, and requisitions are void without an endorsement of the county accountant, showing that they are within the appropriations made by the annual appropriation resolution. No provision for any subsequent appropriations for the fiscal year is contained in the act.

III. THE COUNTY FINANCE ACT

The County Finance Act, like the County Fiscal Control Act, is mandatory upon all the counties, except for certain exceptions made in the Act itself and other exceptions made by local acts.

The County Finance Act provides for permanent financing by bonds for certain named purposes, for temporary financing by the issuance of bond anticipation notes, and temporary financing by the issuance of tax anticipation notes.

This act and the County Fiscal Control Act have an interrelation, particularly with respect to deficits which existed at July 1, 1927. The only way to have avoided the necessity of levying in 1927 a tax sufficient to meet all deficits was to take advantage of the provisions of the County Finance Act for the funding of debt incurred before July 1, 1927. All such debt not evidenced by bonds and which was created before the ratification of the act, March 9, 1927, and for necessary expenses, was validated by the act (section 8). Of course, the act made no attempt to validate debt to be thereafter incurred, although it permitted the funding of debt incurred before July 1, 1927. No distinction was made by the act as to the purpose for which this fundable debt was created except that it be for a necessary purpose; tax anticipation notes, as well as notes issued for permanent improvements, fell within the category. The object was the wiping off of the slate, so far as any burden existed through floating debt for necessary expenses. The recurrence of such a deficit is guarded against by the County Fiscal Control Act.

Bonds may be issued only for the purposes set forth in section 8. The first step is the introduction of a resolution by the county board. This initial resolution is called an "order", to distinguish it from subsequent resolutions. The order must set forth certain details (section 9) and cannot be passed at the meeting at which it is introduced. A sworn financial statement must be filed after the introduction, giving the assessed valuation of property and an itemized statement of indebtedness, and the order and a summary of the sworn financial statement must be published, with a notice giving the time at which the board will hold a public hearing before the passing of the order. After the hearing, the board may pass the order if the net debt of the county is within the limit fixed by the act for bonds of the class to be issued.

The order does not become effective upon its passage unless the bonds authorized are funding or refunding bonds. If the bonds are for other than necessary expenses, a vote of the majority of all the registered voters is required under Article VII, section 7, of the Constitution. In other cases the order will take effect thirty days after the first publication thereof after final passage unless in the meantime a petition for its submission to the voters is filed, signed by voters equal in number to at least fifteen per cent of the total number of votes cast at the last preceding election for the office of governor. This act requires two consecutive weekly publications of bond orders after final passage announcing a period of thirty days for opportunity to file petitions for referendum (where such petitions are required) and for filing actions attacking legality.

Certain limits are fixed by the act for the maturity of bonds, depending upon the purpose of issuance (section 11). All bonds are required to mature in annual installments (section 33). No sale will be valid except after publication of a notice calling for bids, at least ten days before the time for receipt of bids, in a county newspaper, in a financial newspaper or trade journal published within the State which publishes from time to time notices of the sale of public securities, and also in either a financial journal published in New York City or in a financial or trade journal published in Baltimore.

It will be seen, therefore, that from two to three months in advance of the time the proceeds of bonds are needed the bond order should be introduced and the full program laid out. To some extent this time can be reduced by overlapping of certain notices, since the act provides (section 31) that after final passage of a bond order all steps preliminary to actual issuance may be taken, although the bond order is not in full force.

The act provides that after a bond order has become effective, moneys may be borrowed upon bond anticipation notes, the notes to be payable from the proceeds of the bonds when sold. (Section 39).

Moneys may be borrowed on tax anticipation notes to pay appropriations for the current fiscal year to a maximum amount, including similar previous loans, remaining unpaid, of eighty per cent of the uncollected taxes and other revenues for the fiscal year. These notes must be payable not later than thirty days after the expiration of the current fiscal year. The only exception permitted is in cases in which the money is borrowed for the purpose of paying the principal or interest on bonds or notes that are due or to become due within four months. In such cases, the tax anticipation notes given for the money borrowed may mature not later than the end of the next succeeding year, and the limitation of eighty per cent does not apply. (Sections 4, 5, and 6.)

It is necessary to advertise for sale both bond anticipation notes and tax anticipation notes. If they mature six months or more from date they must be advertised exactly as bonds are advertised. If they mature less than six months from date, it is not necessary to give any other notice than five days publication in a newspaper having general circulation in the county. (Sections 6 and 39.)

In all cases in which the act requires publication of orders and notices in a newspaper published in the county, it is provided that if no newspaper be published in the county, posting at the courthouse door or in at least three other public places is sufficient. Posting, however, is not sufficient in the case of the sale of notes, where publication must be made in "some newspaper having a general circulation in the county", and in the case of notes maturing six months or more from date in other journals as indicated above.

IV. AN ACT TO PROVIDE FOR THE COLLECTION OF TAXES WITHIN THE COUNTIES OF THE STATE AND FOR SETTLEMENT OF THE SAME

In reality, the general provisions of this act are not new. The act is, with certain changes which are intended to strengthen them, a re-enactment and a clarification of the laws which were already on the statute books.

The act provides that the board of county commissioners shall cause the tax books of the year in which the levy is made to be prepared and ready for delivery and shall require these books to be delivered to the sheriff or other tax collecting officer on the first Monday in October, with an order that he proceed to collect the taxes. If, however, the sheriff or other tax collecting officer has failed to make full and complete settlement by the first Monday in October for all taxes of the previous year,

or fails to qualify by furnishing adequate bond, the board shall appoint another person as tax collector who must furnish sufficient bond. The items to be considered in a full and complete settlement for taxes are specifically stated in the act, (section 6).

The compensation to be paid the specially appointed tax collector, if not agreed upon at the time of his appointment, shall be two per cent of the taxes he collects and the board may reduce the salary of the sheriff or other regular tax collecting officer in an amount equal to that to be paid the special tax collector.

Any member of the board of commissioners who votes in favor of the delivery of the new tax books to the sheriff or tax collector without his first having made full settlement of the previous year's taxes, is individually liable for the amount of taxes due by him. Also, any member who fails to vote in favor of making provisions for the collection of the current year's taxes on the first Monday in October, whether a special tax collector must be appointed or not, shall be guilty of a misdemeanor, punishable by a fine of ten dollars for each day thereafter that he fails to vote for such provision.

On the first Monday in May following the delivery of the new tax books, the board of commissioners shall order sale of all land for taxes upon which taxes have not been paid. The sale shall be held on the first Monday in June, as contrasted with the old law which required that the sale be held on the first Monday in May. Immediately after the board orders the sale, the sheriff or other tax collecting officer shall advertise, in accordance with law, all land upon which taxes have not been collected, and after the sale is held on the date required by the law, he shall make full and complete settlement for the taxes charged to him on the first Monday in July.

The act provides that the sheriff or other tax collecting officer shall, at the monthly meetings of the board of commissioners, make a report to that body containing an itemized statement of the taxes collected during the preceding month.

V. AN ACT TO AMEND PART 3 AND 4, ARTICLE 14, CHAPTER 131, CONSOLIDATED STATUTES, RELATING TO TAX DEEDS AND FORECLOSURE OF CERTIFICATES OF SALE

The act pertains to the collection or disposition of delinquent taxes on land which has been sold at the sheriff's sale for the uncollected taxes thereon. While the act amends the old laws with respect to the rights of the purchaser of a certificate of sale of land for taxes, it also abolishes the power of the sheriff to execute a deed for the real estate described in the certificate. The purchaser of a certificate shall, under the provisions of this act, have the right to foreclose in the same manner as a first mortgage on real estate may be foreclosed whether the purchaser be an individual or the county. The provision of the old law, however, which allows the taxpayer one year within which to redeem his property, is still in effect.

It is made mandatory that every county which is the holder of a certificate by purchase at the sheriff's sale, shall bring action to foreclose the same within eighteen months from the date of the certificate. An

individual, however, who has purchased a certificate at a sheriff's sale is precluded from bringing action to foreclose such certificate after the expiration of three years from the date thereof.

The act imposes a penalty upon a taxpayer who has failed to pay his taxes thus, allowing his land to be sold at the sheriff's sale. The amount of the certificate, which includes the amount of the taxes and the sheriff's costs, shall bear interest at the rate of 20 per centum per annum for the first twelve months from the date of sale and 10 per centum per annum until the final judgment of confirmation is rendered except that in the case of an individual who has purchased a certificate, the interest shall be, after the expiration of eighteen months, at the rate of 6 per centum per annum.

After the sheriff or other tax collecting officer has made settlement for taxes for each year, the board of county commissioners is required to deliver all certificates of sale executed to the county by the sheriff to some officer other than the sheriff or other tax collecting officer. This officer may be the county accountant, county auditor or another officer specially designated by the board. It is the duty of this officer to collect as many of these certificates as possible together with the accrued interest on them, but after the expiration of fourteen months, he shall proceed to foreclose any uncollected certificates and shall turn them over to the county attorney who shall bring action to foreclose.

The act provides, just as the old law did, that personal property of a taxpayer shall be levied upon and sold for the satisfaction of taxes before resorting to real estate.

FISCAL CODE FOR COUNTY OFFICERS

Upon the request of the Governor as provided in section 20, Chapter 91, Public Laws of 1927, a codification of county government laws was compiled in the office of the Attorney General. The purpose of the codification was to bring together and arrange the various laws relating to the administration of county government so as to make them more readily accessible for the information of county officers. This book, known as the "Fiscal Code for County Officers", was published by the County Government Advisory Commission and distributed to officials of all the counties in the State. It has been exceedingly helpful to county officials in complying with the provisions and requirements of law.

PART III

THE APPLICATION OF THE LAWS AND THEIR RESULTS

Information pertaining to compliance with certain provisions of the new laws and to financial condition has been secured from 97 of the 100 counties in the State. On page 20 a statement is given which shows with respect to these 97 counties, when land sales for the 1927 taxes were held, when full and complete settlements were made with the sheriffs or other tax collecting officers, when delivery of the tax lists and books of the 1928 levy was made, and the number of counties in which revenues of the fiscal year 1927-28 were collected, or not collected, within the year to pay all outstanding floating indebtedness at the close of the year. The statement is arranged to show how counties complying with the law in one respect, complied in the other respects. For instance, in column 1, it is shown that six counties complied with the law in each respect. That is, six counties held the sales of land for the 1927 taxes on the date required by law (the first Monday in June), made complete settlements with the tax collecting officers on the date required by law (the first Monday in July), delivered the tax lists and books of the 1928 levy on the date required by law (the first Monday in October), and had collected revenues within the fiscal year 1927-28 in an amount sufficient to pay all outstanding floating indebtedness at the close of the year (June 30, 1928). In column 2, it is shown that two counties complied with the law in each respect, but failed to collect sufficient revenues by the close of the year, and so on. Column 60 discloses that at November 15, 1928, there was one county of the 97 that had neither held the land sales for the 1927 taxes, made settlement with the tax collecting officer, delivered the 1928 books, nor had there been sufficient revenues collected at June 30 to retire outstanding floating indebtedness.

LAND SALES FOR THE 1927 TAXES

In the "Total Counties" column at the extreme right, the statement shows that there were 61 counties in which land sales for the 1927 taxes were held on the date required by law. In the remaining 36, reasons given for failure to comply with the law are as follows:

Temporarily restrained by order of the court from advertising or conducting the sales-----	12
Deliberate action of the board of county commissioners postponing the sales or failure of the board to order the sale in accordance with law -----	16
Fault of the sheriff or other tax collecting officer-----	8

36

There were 13 counties in which the land sales were held later in the month of June, eight in which the sales were held during the month of July, six during the month of August, four during September, four during October, and one in which no sale had been held by November 15, 1928.

SETTLEMENTS FOR THE 1927 TAXES

Out of the 97 counties given in the statement on page 20, there were only 16 in which full and complete settlements with the sheriffs or other tax collecting officers for the 1927 taxes were made on the date required by law (the first Monday in July). Of the remaining 81 counties, settlements were made in five later in the month of July, in seven during the month of August, in seven during September, in 15 on the first Monday in October when the lists and books of the 1928 tax levy were required to be delivered to the tax collecting officer, in 15 later in the month of October, in four during November before the 15th, and in 28 counties, settlements had not been made by November 15th. Postponement of land sales account for the delay of settlement in several counties. In some cases also, the tax collecting officers were given more time to collect taxes on personal property which could not be deemed insolvent. However, had these sheriffs or tax collectors performed their duty in regard to levying on personal property for the satisfaction of taxes, it is believed that more of them would have been in a position to settle on the legal date. Few of these officers obey this requirement of the law. Then, there are some counties where there is still laxness in collecting taxes and laxness in forcing settlements with the tax collecting officer. Of course, there are exceptional cases where the fault does not lie with the tax collecting officer. Sometimes he hasn't sufficient time within which to collect the taxes before he is required to settle. Cases are known where the 1927 books, largely on account of delayed completion of quadrennial assessments, were not prepared and ready for delivery to the tax collecting officers until as late as March, 1928. Thus, about two months were left within which collections were to be made before the advertising of land for taxes was required by law to be begun. Land sales and settlements were postponed in these cases to allow more time for collections, as the tax collecting officers, by custom, collected much of the taxes outside of their offices.

The situation with respect to the collection of taxes in a few counties has become astounding and the tax laws have not effected a remedy. In reality the laws which are intended to enforce the collection of taxes have been ignored. At June 30, 1928, the uncollected taxes of the 1927 levy, in some instances, amounted to approximately 50% of the total levy and when the land sales, which were postponed, were finally held, they amounted to as high as 20% of the total levy. Situations just as serious resulting from failure to levy a sufficient amount of taxes to meet the operating needs, prevail in these counties. Some of them issued bonds under the provisions of the County Finance Act to fund large accumulations of floating debt outstanding at July 1, 1927, which was incurred for carrying on current operations. Under existing conditions, however, floating debt will continue to accumulate. County officials frequently contend that the causes of these conditions are high tax rates and inability of the taxpayers to pay taxes. Nevertheless, little hope can be held for reducing taxes in these counties. Obviously, the tax rates will be higher.

DELIVERY OF THE TAX LISTS AND BOOKS TO SHERIFFS OR OTHER TAX COLLECTING OFFICERS

In 34 of the 97 counties given, the tax lists and books of the 1928 levy were delivered to the tax collecting officers on the date required by law (the first Monday of October). By November 15, however, the books had been delivered in 48 other counties and on that date, there were only 15 where deliveries had not been made. Delay in delivery of the 1928 tax books can be attributed to several reasons. In a number of counties, the valuations of public service corporations and corporation excess were received from the State Board of Assessment too late to complete the preparation of the books in time. In other instances, the delay was attributed to a final effort to make complete settlement with the tax collecting officers, although there were 10 counties in which the new books were delivered to the same tax collecting officers without full and complete settlement for the 1927 taxes.

In view of the fact that such a large per cent of the counties had delivered the new books on the date required by law and within six weeks after that date, there is an apparent realization of the importance of getting this done as promptly as possible. It indicates that a large majority of the counties are endeavoring to provide money to meet operating needs and thus avoid the necessity of borrowing.

INFORMATION PERTAINING TO FINANCIAL CONDITION

In theory, the laws contemplate that, with the careful making of estimates of operating costs for a fiscal year and the providing of adequate revenues to defray these costs by levying taxes, the revenues should be collected during the fiscal year in sufficient amount to pay all current indebtedness outstanding at the close of that year. The fact that a county has collected a sufficient amount of its revenues within a fiscal year with which it can pay all floating indebtedness, that is, money borrowed in anticipation of the collection of revenues, which remains outstanding at the close of the year, does not necessarily mean that there are no deficits but such counties as had done so at June 30, 1928, may be considered within the financial safety zone. On the other hand, there were counties which had not collected sufficient revenues of the fiscal year 1927-28 to pay all floating indebtedness outstanding at June 30, but were able to do so soon after the close of the year. Some of these counties had a surplus in all funds.

Of the 97 counties shown in the statement on page 20, a sufficient amount of revenues of the fiscal year 1927-28 had been collected to pay all floating indebtedness outstanding at the close of the year (June 30, 1928) in 49. Of these 49 counties:

In 38, land sales for the 1927 taxes were held on the date required by law (the first Monday in June),

In 3, the sales were held later in the month of June,

In 3, the sales were held in the month of July,

In 3, the sales were held during the month of August, and

In 2, the sales were held during the month of September.

Thus, it may be deduced that the sale of land on the date required by law facilitates the collection of taxes within the fiscal year in which the levy is made. Taxpayers will pay in order to avoid the penalty imposed by law if their land is sold.

As to full and complete settlement for the 1927 taxes with the sheriffs or other tax collecting officers of these 49 counties:

In 9, settlement was made on the date required by law (the first Monday in July),

In 2, settlement was made later in the month of July,

In 6, settlement was made during the month of August,

In 3, settlement was made during the month of September,

In 16, settlement was made during the month of October,

In 1, settlement was made during the month of November, and

In 12, full and complete settlement had not been made by November 15.

In 40 of these counties, therefore, settlements for taxes were postponed from the date required by law, but in most of these 40, the balances of uncollected taxes owing by the tax collecting officer were comparatively small on the first Monday of July.

FORECLOSURE OF LAND SALES CERTIFICATES

Foreclosure proceedings upon land sales certificates purchased by counties at the sheriffs' sales for the 1926 taxes are stated as follows for 97 counties:

Counties in which proceedings were begun before November 15, 1928 -----	59
Counties which did not hold any certificates for the 1926 taxes -----	7
Counties in which proceedings had not been begun by November 15, 1928 -----	31
	<hr/> 97

The law requires that all counties holding certificates of sale shall begin foreclosure proceedings upon these certificates after the expiration of fourteen months from the dates thereof. In many of the 31 counties where proceedings had not been begun, land sales for the 1926 taxes were postponed and the fourteen months had not expired.

SAFEGUARDING EXPENDITURES

The County Fiscal Control Act specifies that no contract or agreement or requisition requiring the payment of money shall be valid unless the same be in writing, and unless the same shall have printed, written, or typewritten thereon a statement signed by the county accountant, as follows: "Provision for the payment of moneys to fall due under this agreement has been made by appropriation duly made or by bonds or notes duly authorized, as required by the 'County Fiscal Control Act' ". This requirement of the act is intended to insure against the incurrence of obligations when no provision has been made to pay them. It is also a warning to vendors who may sell to various county officers and employees without first ascertaining that the county has made adequate provision to pay their claims.

Counties which are substantially complying with this requirement -----	53
Counties which are not complying -----	44
	<hr/> 97

There was some skepticism among the counties at first in regard to the practicability of complying with this requirement, but most of the obstacles have been removed by a common-sense application. It is constructive and necessary in the control of county financing.

DEPOSITORY BONDS

Corporate surety bonds required of depositories of county money have been given by banks in 60 counties. Some counties have had difficulty in securing bonds from surety companies and in others, the premiums were so high that the law requiring depositories to furnish corporate surety bonds was not enforced. In many counties such securities as federal, State, municipal or county bonds were deposited by banks to protect county moneys. There are still many counties, however, that have not secured adequate bond and a few have suffered losses on account of bank failures since the enactment of the 1927 law.

DAILY DEPOSITS

The daily deposit provision has probably been less complied with than any other provision of the County Fiscal Control Act of 1927. In most of the counties, it has proved to be most impractical to require every officer or employee collecting or receiving county money to deposit daily with the treasurer and to the credit of the fund to which it belongs. There are approximately 18 counties that are practically complying with the daily deposit requirement and several others that are complying with it in part.

COUNTY MANAGER

Prior to the enactment of the 1927 law providing for county manager form of government, several counties already had managers who were usually all-time chairmen of the board of commissioners. Cleveland and Davidson, however, are the only counties in which the manager form of government was adopted under the provisions of the new law, although there are a number of counties that have the manager form under consideration. In each of these counties, the manager has also performed the duties of county accountant, tax supervisor and purchasing officer; and in Cleveland, the manager is chairman of the board of commissioners. The results obtained under the manager form of government in these two counties have been extremely satisfactory. Special mention of them is made on account of the marked and rapid progress made toward highly efficient and economical administration under the manager form. These managers have lifted much of the responsibility of the detail of county affairs from their respective boards and have safeguarded the interests of their counties which would otherwise have gone neglected. They have been able to furnish invaluable information and render intelligent advice to their boards in carrying on the business of the counties more wisely and more economically.

GENERAL COMMENT

It is practically impossible to determine to what degree the improvement of county government in all of the 100 counties of the State can be attributed to the new county government laws and to the activities of the County Government Advisory Commission. In some counties the reform movement was begun and much progress was made before the enactment of the 1927 laws. From the general information at hand, however, the Advisory Commission has made the following classification of counties:

Number of counties that have reached a high degree of efficiency in administration of fiscal affairs and that are complying with the laws in substantially every respect—	20
(Noticeable improvement has been made in 10 of these counties since the enactment of the new laws.)	
Number of counties in which progress has been made but a high degree of efficiency has not been attained—	61
(In approximately 55 of these counties, improvement has been made since the enactment of the new laws.)	
Number of counties in which slow progress has been made—	19
	<hr/> 100

Marked improvement in 65 counties, therefore, is attributable to the new laws and to the advice and assistance given them. Effort to improve government and to comply with the laws was made in every county of the State.

The County Government Laws enacted at the 1927 session of the General Assembly have produced gratifying results in counties where they have been diligently applied. They have seemed to fit the modern requirements of a well governed county. The following facts concerning the operations in one county have been sent in to the Commission:

"The provisions of the County Fiscal Control Act were operative during the past year (July 1, 1927, to June 30, 1928) In prior years no interest was paid on bank balances and officers did not deposit daily as at present. Only \$3,400 of Sinking Funds were on an interest bearing basis last year as compared with \$59,700 this year. The collection of back taxes was more vigorously enforced the past year by the County Accountant. . . . The investing of Sinking Funds and the vigorous collection of back taxes are not directly attributable to the County Fiscal Control Act, but the act provided for an accountant who is responsible for the results achieved on these items.

"In addition to the tangible benefits enumerated, there are other benefits that are difficult to measure in money. The making of a definite financial program through the budget and its publication not only enables the commissioners to have a clearer understanding of the operations and costs, but also informs the taxpayers for what purposes the taxes are used. What saving that may have been effected by control of appropriations is not determinable, as this has got to be measured by services rendered as compared with prior years. It is a fundamental fact that intelligently planned and controlled finances are bound to result in a sounder and more economical government".

From another county the commission has this comment:

" Some of the county's funds had a deficit with which to start the year (beginning July 1, 1927). These deficits were funded in accordance with the provisions of the 'County Finance Act of 1927'".

"The excellent showing which has been made this year on a reduced tax rate reflects great credit on the administrators of the county's affairs and shows to even the most skeptical that the 'County Fiscal Control Act of 1927' is a law workable to the salvation of our various counties."

One county had deficits in the various funds at July 1, 1927, aggregating approximately \$575,000. Bonds were issued to fund these deficits under the provisions of the County Finance Act, a competent county accountant was appointed and strict adherence was made to the provisions of the Fiscal Control Act and the law providing for the collection of taxes. A complete report of operations, prepared by the county accountant for the fiscal year ended June 30, 1928, disclosed that every fund had an operating surplus for the year and less than 5% of the aggregate net amount of taxes levied for the year 1927, remained uncollected. Information was made available to the board of commissioners and to the public showing the sources of all the county's revenues and the purposes for which all expenditures were made.

The benefits derived from diligent and coordinated effort among county officials to comply with the laws in these counties and in several other counties can be had in the smallest county as well as the largest.

In many counties, the officials have realized the need of fiscal reform and the laws have brought about a better spirit of cooperation. Greater familiarity and a clearer understanding of the operating needs of the various departments and activities have resulted. This is particularly true in regard to the boards of education and boards of commissioners.

Compiled as of November 15, 1928

NOTE.—Columns are numbered at top and bottom from 1 to 60 with total of columns 1 to 29, 30 to 39, 40 to 46, 47 to 52, 53 to 56, 57 to 59, and with column 60, grand totals are given in the last column at right.

PART IV

ACTIVITIES OF THE COUNTY GOVERNMENT ADVISORY COMMISSION

CREATION OF THE COUNTY GOVERNMENT ADVISORY COMMISSION AND ITS PRESCRIBED DUTIES

The County Government Advisory Commission was created by an act of the 1927 session of the General Assembly entitled "An Act to Provide Improved Methods of County Government" (Chapter 91, Public Laws of 1927). The commission consists of five members appointed by the Governor who serve without compensation except their actual expenses. The members appointed were Dr. E. C. Brooks, chairman, Raleigh; Prof. A. C. McIntosh, Chapel Hill; E. M. Lyda, Asheville; D. W. Newsom, Durham; and J. E. Woodland, Morehead City. A. E. Cline, of Shelby, was later appointed to fill the vacancy caused by the death of Mr. Woodland.

The duties of the commission, as prescribed in the act, are to "take under consideration the whole subject of county administration; to advise with the county commissioners as to the best methods of administering the county business; to prepare and recommend to the governing authorities of the various counties simple and efficient methods of accounting, together with blanks, books, and other necessary improvements; to suggest such changes in the organization of the departments of the county government as will best promote the public interests and to render assistance in carrying the same into operation. They may make such recommendations to the Governor from time to time as they deem advisable as to changes in the general laws controlling county government, and such recommendations may be submitted by the Governor, upon his approval, to the next meeting of the General Assembly".

THE COUNTY ACCOUNTANT

Another county government act of the 1927 General Assembly, known as the "County Fiscal Control Act", created a new office in every county of the State, known as the office of county accountant. To fill this office, every board of county commissioners was required, on or before the first Monday of April, 1927, to appoint a person of honesty and ability and who was experienced in modern methods of accounting. In lieu of appointing a county accountant in those counties where there was already a county auditor, the board was required to impose and confer upon the auditor all the duties and powers imposed and conferred upon county accountants. Any officer of the county organization was deemed eligible by the law for appointment to the office of county accountant, except the sheriff or tax collector or the county treasurer.

The act contemplates that the county accountant shall be the principal agent of the board of commissioners in conducting the fiscal affairs of the county. In most of the counties, conditions are such as to prevent

the members of the board from mastering the details of the county's fiscal operations. The county accountant, however, is definitely required by law to keep thoroughly informed on these matters and his office, where records of all transactions are kept, becomes not only a clearing house for information but a controlling center as well. The information collected here and available for the board, not only keeps that body informed as to the condition of the county's financial affairs at all times, but it furnishes the best basis for future procedure.

WHAT THE COUNTY GOVERNMENT ADVISORY COMMISSION HAS DONE

Realizing the importance of the office of county accountant and bearing in mind the numerous duties and powers specifically imposed and conferred upon that officer by the law, the County Government Advisory Commission, when it first began to function in March, 1927, directed much of its efforts toward advising and assisting the county accountants. Several meetings of the commission were called during the first four months of its existence for the principal purpose of formulating plans as to the best methods of rendering service and assistance to all the county accountants of the State and thus aid them to begin the fiscal operations of their respective counties on July 1, 1927, in accordance with the requirements and provisions of the newly enacted county government laws. Several county auditors, from counties where the office of county auditor had been established prior to the enactment of the County Fiscal Control Act, were present at these meetings. They were consulted freely and were able to render valuable assistance.

By the middle of April, 1927, the commission had appointed Charles M. Johnson, as executive secretary and W. E. Easterling as assistant executive secretary. Work was begun immediately and by July 1, 1927, when most of the provisions of the new laws went into effect, the following had been accomplished: a uniform classification of accounts for counties; budget and bookkeeping forms designed and printed; a county calendar, briefly outlining the duties of the various county officers and indicating the dates on which those duties were to be performed; and a fiscal code for county officers, compiled in the office of the Attorney General, and printed by the commission.

A complete supply of all the forms, except the bookkeeping forms, with pamphlets containing the uniform account classification and printed instructions explaining their use, the county calendar and copies of the fiscal code were furnished to all the counties without cost. The bookkeeping forms were furnished to those counties that desired them. Thirty-five counties immediately adopted these forms and six others began to use them beginning with the fiscal year 1928-29. The bookkeeping forms already in use in about forty other counties, with slight modifications, were adequate to meet the requirements of the new law. Later, forms for guidance in the publication of proper information pertaining to budgets and statements of financial condition as required by the law, were furnished.

INSTITUTE FOR COUNTY OFFICERS

In July, 1927, an institute was conducted at the State College, Raleigh, where county accountants and other county officials were instructed in budget and accounting procedure, as prescribed by the County Fiscal Control Act. Instruction was given in the practical application of all the newly enacted county government laws. The institute lasted four and one-half days. Two days were devoted to the course of instruction and the remainder of the time was spent in the consideration and solution of local problems presented by officials from the various counties. About eighty counties were represented.

Benefits derived from instruction given at the institute, together with the forms and explanatory literature furnished, were noticeably reflected by the manner in which budgets were prepared and accounting records were set up in the counties adopting the uniform account classification recommended by the Advisory Commission. About sixty-seven counties are now using this classification with slight modifications. Although there have been instances where budgets were not properly balanced, the idea of departmentalizing the county so that the responsibility of costs could be allocated to department heads and officers in charge of activities, and of using an object classification of accounts, as the law requires, showing the purposes for which expenditures are made, seems to have been generally conveyed. The institute marked the beginning of the keeping of records of classified receipts and disbursements in certain counties where no such records had been kept before.

WORK IN THE FIELD AND OFFICE

As soon as it became practicable, the executive secretary and his assistant began visiting as many counties as possible to assist the county accountants with the actual preparation of their budgets and to help install accounting records which would improve or complete their accounting systems wherever such help was needed. To hasten this work, five additional men were temporarily employed during the months of November and December, 1927, and the results were beneficial to many of the counties. Requests for advice and assistance have come from every county in the State, many counties requiring several visits before their needs could be satisfactorily adjusted. Every county has been visited at least once by a representative of the commission for the purpose of giving advice and assistance and many have been visited several times in response to requests from county officials. The commission's policy is to have a representative visit every county at least once a year, because it is almost invariably the case that some service of value can be rendered in line with the prescribed duties. In some instances, however, a service was needed, such as auditing, which the commission was not in a position to afford.

Much advice and assistance has been given from the office of the commission by correspondence. Inquiries for solutions of various kinds of local problems and for proper construction of the laws are constantly coming in through the mails. County officials continue to come to the office for information and advice. To comply with these demands, it is necessary for one man to remain in the office all the time. Memoranda

letters citing requirements and provisions of the law, and containing opinions secured from and given out by the Attorney General, have been mailed to all the counties.

The office of the commission has become a clearing house for information in matters pertaining to county government and is giving to the counties of the State the benefits of the knowledge of plans for the improvement of government acquired through study and observation of the successful operation of these plans in some of the counties.

THE COMMISSION'S INABILITY TO MEET THE DEMANDS MADE UPON IT

During the period the office of the Advisory Commission has functioned, it has been found practically impossible to render all of the services requested of it as effectively and as efficiently as the needs have demanded. The personnel, consisting of the executive secretary and one assistant, has been inadequate to meet the demands, and more help is necessary to carry on the services required of it.

Requests have come from counties time after time for such service as would require one man who is proficient in the details of county government affairs from ten days to two weeks to render. These requests vary in their nature. Many of them are for help in setting up simple accounting records that would properly and correctly reflect the financial condition and the budget position of the county at all times. In complying with requests of this kind, it is frequently found necessary to design forms and have them printed to fit needs peculiar to a particular county.

Numerous requests have been received for help in the work of preparing and balancing budgets, but because of the limited time within which this work is required to be completed, representatives of the Advisory Commission were not able to get to all of these counties and many of such requests were not complied with. In several counties, however, where a representative did visit, his help resulted in an adjustment of tax rates to fully meet the requirements of the county's budget and, in some instances, reduction in the rates was made.

Some of the requests have been for advice preparatory to the issuance of bonds and notes. Others have sought advice and assistance in making full and complete settlements with sheriffs or tax collectors and other officers collecting money for the county. Generally, all of the counties have asked for practical construction of the laws and many have asked for recommendations as to the best methods of applying the requirements and provisions of the laws to fit their peculiar conditions. Frequently, the Advisory Commission has been asked to make recommendations in regard to changes within the county organization which would afford more efficient and more economical operation of the government, such as, centralizing the accounting records of all the departments in the office of the county accountant in order to eliminate duplication of labor and the employment of more clerical help than necessary, the feasibility of creating the office and appointing a county manager as provided by law, the appointment of a central purchasing agent to do the purchasing for all the departments of the county.

INCREASED FORCE NEEDED

Because of its inadequate staff, the Advisory Commission has not only been unable to meet all the demands of the counties, but it has also been handicapped in acquiring the knowledge of the administrative affairs of the counties necessary to perform the maximum of constructive service. Each county has to a certain extent developed its own peculiar methods of carrying on its fiscal operations. This is attributed to local legislation and to other conditions. Information upon which intelligent recommendations may be made is seldom readily accessible, and in order for a representative of the Advisory Commission to make recommendations of enduring value and to help put these recommendations into effect, he must have a fairly comprehensive knowledge of how the county's business has been carried on in the past, as well as the details of its present operations. To gain this knowledge, it is the opinion of the Advisory Commission that a representative must spend much more time in each county than is possible with the present limited force. If the commission could send a competent man to a county for a time long enough for him to make a careful survey of existing conditions, to get familiar with the details of operations in that county, to determine the adequacy of its accounting system, to examine into operating costs, sources of waste, the safeguarding of sources of revenue and any irregularities or violations of the law which should be corrected, he would then be in a position to render advice and assistance to the officials of the county which would readily bring about improvement in its government.

The commission is confronted with requests for immediate assistance from some of the counties where there has been a change in administration as a result of the recent election. New boards of commissioners are taking over the administration of affairs in some counties and, in many cases, this will mean a change of personnel in the office of the county accountant. It is expected that many of these new officials are unfamiliar with the duties and powers imposed and conferred upon them by law and they are seeking guidance in beginning their work.

COST OF THE FIRST YEAR OF OPERATIONS AND THE COMMISSION'S PROPOSAL FOR ITS FUTURE OPERATIONS

The cost of maintaining the office of the County Government Advisory Commission for the fiscal year 1927-28, the first year of its existence, was \$16,689, or \$1,689 in excess of its appropriation, which was cared for by special allotment from the State emergency and contingency fund. The appropriation of \$15,000 for the fiscal year 1928-29 is expected to be consumed by the close of the year.

The commission, in the budget estimate for the biennium 1929-31, has submitted requests to the State Advisory Budget Commission for maintainance appropriations of \$30,000 for each of the years 1929-30 and 1930-31. The appropriation requests are in accordance with the resolution adopted by the State Association of County Commissioners at the meeting at Wrightsville Beach in August, 1928. With annual appropriations of this amount, the commission, functioning in its ad-

visory capacity as provided by the present law, believes that a much more valuable service can be rendered to the counties of the State. It proposes to employ in addition to its present force, competent men who can make a thorough survey of every phase of a county's government, and after this survey is completed, help the officials of that county to avail themselves of the benefits to be derived from the county government laws which are now on the statute books. Constant assistance can also be afforded to counties by continuous visitations of a representative from the office of the commission. Lack of practical knowledge of the intents and purposes of the laws among the county officials and employees have retarded improvement of government in many counties. This condition can be largely overcome by closer contact between these counties and a representative of the commission, but the commission can establish this contact only with an increase of the personnel of its present force.

In conclusion, it is the opinion of the County Government Advisory Commission that the principles of the laws enacted at the 1927 session of the General Assembly are so flexible that they can be applied in every county of the State. It has been proved that they are workable in both large and small counties. Therefore, the commission does not find it necessary to recommend any drastic changes. However, certain modifications may be necessary to make some sections of the laws clearer and more practical and that will tend to strengthen and encourage a stricter compliance with the provisions and requirements of the laws as a whole.

